Supreme Court, U.S.
FILED
AUG 28 1997
CLERK

No. 97-230

In the
Supreme Court of the United States
October Term, 1997

GENERAL ELECTRIC COMPANY, and
DRUCKER & GENUTH, MDS, P.C., d/b/a
SOUTH SHORE IMAGING ASSOCIATES,
Petitioners,

v.

FONAR CORPORATION and
DR. RAYMOND V. DAMADIAN,
Respondents.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

RESPONDENT'S BRIEF IN OPPOSITION

RONALD J. SCHUTZ *
MARTIN R. LUECK
HOWARD R. ORENSTEIN
DARREN B. SCHWIEBERT
KEN R. HALL
ROBINS, KAPLAN, MILLER & CIRESI L.L.P.
800 LaSalle Avenue, 2800 LaSalle Plaza
Minneapolis, MN 55402-2015
(612) 349-8500
* *Counsel of Record for Respondents*

AUGUST 28, 1997

1997 – Bachman Legal Printing ■ (612) 339-9518 ■ FAX (612) 337-8053

QUESTIONS PRESENTED FOR REVIEW

1. Whether, in upholding a damages award for patent infringement, the Federal Circuit was correct in allowing an award of a reasonable royalty calculated as a percentage of the sales price of the whole machine incorporating the patented technology, where the defendant developed the patented feature to be competitive with the plaintiff, made the patented feature a standard part of its product, and relied on and aggressively promoted the patented feature to sell its products.

2. Whether this Court should impose in every case involving the doctrine of equivalents the linguistic procedural requirement of "particularized testimony and linking argument" where such a procedural requirement has been adopted in appropriate cases and affirmed by the Federal Circuit in a separate decision and was not in any way repudiated by the Federal Circuit in this case and where, as in this case, the jury receives exhaustive and uncontested instruction on the doctrine of equivalents.

TABLE OF CONTENTS

Page

QUESTIONS PRESENTED FOR REVIEW i

TABLE OF CONTENTS ii

TABLE OF AUTHORITIES iii

RESPONDENTS' BRIEF IN OPPOSITION 1

OPINIONS BELOW 1

JURISDICTION 1

STATUTORY PROVISIONS INVOLVED 1

STATEMENT 2

A. THE TECHNOLOGY AT ISSUE 2

B. ALLEGATIONS AND PROCEEDINGS BELOW 4

REASONS FOR DENYING THE PETITION 6

I. THE FIRST QUESTION PRESENTED DOES NOT WARRANT REVIEW 8

II. THE SECOND QUESTION PRESENTED DOES NOT WARRANT REVIEW 16

CONCLUSION 22

TABLE OF AUTHORITIES

Page

CASES:

Aro Mfg. Co. v. Convertible Top Replacement Co.,
377 U.S. 476 (1964) 10

BIC Leisure Prods. v. Windsurfing Int'l,
1 F.3d 1214 (Fed. Cir. 1993) 11

Commissioner v. Texaco,
117 S. Ct. 1467 (1997) 16

Dobson v. Hartford Carpet Co.,
114 U.S. 439 (1885) 9

General Motors Corp. v. Devex Corp.,
461 U.S. 648 (1983) 10

Hoechst Celanese Corp. v. BP Chems. Ltd.,
78 F.3d 1575 (Fed. Cir.),
cert. denied, 117 S. Ct. 275 (1996) 17

Livesay Window Co. v. Livesay Indus., Inc.,
251 F.2d 469 (5th Cir. 1958) 10

Markman v. Westview Instruments, Inc.,
116 S. Ct. 1384 (1996) 5, 7

Rite-Hite Corp. v. Kelley Co.,
56 F.3d 1538 (Fed. Cir.) (*en banc*),
cert. denied, 116 S. Ct. 184 (1995) 8, 12, 14, 15

Page

Seymour v. McCormick,
57 U.S. (16 How.) 480 (1853) 7, 9

State Indus., Inc. v. Mor-Flo Indus., Inc.,
883 F.2d 1573 (Fed. Cir. 1989),
cert. denied, 493 U.S. 1022 (1990) 11

Texas Instruments, Inc. v. Cypress Semiconductor Corp.,
90 F.3d 1558 (Fed. Cir. 1996),
cert. denied, 117 S. Ct. 1818 (1997) 7, 17, 18

Warner-Jenkinson Co. v. Hilton Davis Chem. Co.,
117 S. Ct. 1040 (1997) 5-8, 17, 18

STATUTES:

28 U.S.C. § 1254(1) 1

28 U.S.C. § 1295(a)(1) 6

35 U.S.C. § 271 1

35 U.S.C. § 284 . . . . . 2, 8, 10, 15

RESPONDENTS' BRIEF IN OPPOSITION

Respondents Fonar Corporation and Dr. Raymond V. Damadian (collectively "Fonar")[1] request that the Court deny the Petition of General Electric Company and Drucker & Genuth, MDS, P.C., d/b/a South Shore Imaging Associates (collectively "GE") for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit in this case.

OPINIONS BELOW

The decision of the Federal Circuit (Pet. App. 1a - 23a) is reported at 107 F.3d 1543 (Fed. Cir. 1997). The decision of the district court on post-trial motions (Pet. App. 24a - 78a) is (contrary to GE's representation) reported at 902 F. Supp. 330 (E.D.N.Y. 1995).

JURISDICTION

The Federal Circuit entered judgment on February 25, 1997. Pet. App. 1a. The Federal Circuit denied GE's petition for rehearing and its suggestion for rehearing *en banc* on May 8, 1997. Pet. App. 79a. This Court has jurisdiction under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

35 U.S.C. § 271 provides in pertinent part:

> (a) Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell,

---

[1] The caption contains the names of all parties to the proceeding. Fonar Corporation has no parent companies and no non-wholly owned subsidiaries.

> or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.

35 U.S.C. § 284 provides in pertinent part:

> Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

STATEMENT

A. THE TECHNOLOGY AT ISSUE

1. Dr. Damadian is the inventor of the technology for which one of the patents at issue here was granted. Dr. Damadian had hypothesized that cancerous and healthy tissue react differently from each other when exposed to magnetic fields and radio frequency waves. Each tissue in the body exhibits certain behavior when subjected to a strong magnetic field and pulses of radio frequency waves. This behavior can be categorized by measuring signals given off by the body known as T1 (spin-lattice relaxation time) and T2 (spin-spin relaxation time).

In 1970, Dr. Damadian confirmed his hypothesis that the T1 and T2 signals are *different* in healthy and cancerous tissue. This pioneering breakthrough and Dr. Damadian's proposal to use these signals to create a new body scanner to detect cancer were incorporated into United States Patent No. 3,789,832

("'832 patent"). Dr. Damadian's pioneering breakthrough has been widely recognized. In 1988, he was awarded the National Medal of Technology by the President in a ceremony at the White House. C.A. App. A3121. In 1989, he was inducted into the National Inventors Hall of Fame. C.A. App. A3122.

The '832 patent covers a method to detect cancer using T1 and T2. GE's magnetic resonance imaging (MRI) machines are designed to detect cancer, a representation that GE has made repeatedly in the marketing of its MRI machines. C.A. App. A8619, A8620, A8639. Further, GE's MRI machines detect cancer using T1 and T2 as covered by the '832 patent. Pet. App. 21a - 22a.

2. An MRI image represents a view of a "slice" of the body at a particular point along a particular plane. Fonar is the owner of United States Patent No. 4,871,966 ("'966 patent"), which covers a method and apparatus for obtaining, in the course of a single scan, a number of images at different angles to each other, referred to as multi-angle oblique imaging (MAO). This was a significant advance in MRI technology. MAO reduces imaging time and increases patient throughput, resulting in both increased patient comfort and increased profits to the operator of the MRI machine. C.A. App. A8203, A8772. Fonar introduced MAO to the public in November 1985 at the Annual Meeting of the Radiological Society of North America. Several GE scientists and engineers attended this meeting.

GE immediately recognized the critical value of the MAO invention. For example, GE's project leader Robert Jones stated, in a February 17, 1986 presentation to management, that GE had to "achieve parity" with Fonar, and Jones specifically singled out Fonar's MAO technology. C.A. App. A4557-59. GE's own expert admitted at trial that MAO

allowed MRI for the first time to achieve the same imaging flexibility as the X-ray computed tomography (CT-scan) machine. C.A. App. A3727. Today, 50 percent of scans performed use MAO technology (C.A. App. A5084), a fact that GE tried to contest but now has been forced to concede.

B. ALLEGATIONS AND PROCEEDINGS BELOW

Fonar brought suit on September 1, 1992, alleging that GE and Hitachi[2] infringed two patents--the '966 patent and the '832 patent--and that Hitachi infringed three other Fonar patents. Hitachi settled after opening statements. GE did not, and a new jury was impanelled at GE's request. A bifurcated jury trial against GE ensued, and on May 19, 1995, the jury returned a liability verdict for Fonar and Dr. Damadian, finding both the '966 and '832 patents valid and infringed.

On May 26, 1995 the jury awarded Fonar $110,575,000, a figure significantly less than was supported by Fonar's damages expert. The damages award consisted of $34,125,000 in reasonable royalties and $27,825,000 in lost profits for GE's direct infringement of the '966 patent and $35,000,000 in reasonable royalties for GE's infringement of the '832 patent. The award also included damages of $13,625,000 to compensate Fonar for GE's inducement to infringe the '966 patent. In total, the trial spanned almost five weeks, with 33 witnesses, and yielded 2465 pages of transcript.

---

[2] Hitachi LTD, Hitachi Medical Corporation of Japan, Hitachi Medical Systems America, Inc., Summit World Trade Corporation, and Brookhaven Magnetic Resonance Imaging, Inc.

The district court, in its opinion dated September 30, 1995, considered the post-trial motions of both parties. The district court partially granted GE's motion for JMOL, finding that GE did not induce infringement of the '966 patent and that GE did not directly infringe the '832 patent. The balance of GE's motions were denied, including those motions directed to the validity of both patents. The district court granted Fonar's motion for an injunction, but stayed the relief pending issuance of a supersedeas bond.

The Federal Circuit's decision which GE seeks to bring here by certiorari was issued on February 25, 1997. The unanimous panel affirmed the decision of the district court that the '966 patent was valid and infringed. The unanimous panel reversed the district court's decision regarding infringement of the '832 patent and reinstated the jury's finding of infringement.

On April 1, 1997, GE petitioned the Federal Circuit for a rehearing with a suggestion for rehearing *en banc*. GE argued that the panel's decision conflicted with the decisions of this Court in *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 117 S. Ct. 1040 (1997), and *Markman v. Westview Instruments, Inc.*, 116 S. Ct. 1384 (1996). GE's petition for rehearing and its suggestion for rehearing *en banc* were denied on May 8, 1997. Pet. App. 79a.

On May 14, 1997 GE petitioned the Federal Circuit for a stay of the mandate pending application to this Court for a writ of certiorari. GE again argued that the panel's decision conflicted with this Court's ruling in *Warner-Jenkinson*. GE's petition for a stay of the mandate was denied by the Federal Circuit on May 19, 1997.

On May 22, 1997, GE applied to the Chief Justice for a stay of the Federal Circuit's mandate pending filing of a petition for a writ of certiorari. Once again GE argued that the Federal Circuit's decision conflicted with *Warner-Jenkinson*. On May 27, 1997, the Chief Justice denied the application.

REASONS FOR DENYING THE PETITION

GE's petition rests entirely on the assumption that the Federal Circuit announced two rules of law that, quite simply, the court did not invoke. The decision below thus does not present the questions that GE suggests to this Court--and does not conflict with any decisions of this Court. Nor is there an intercircuit conflict on these patent law issues, which are within the Federal Circuit's exclusive jurisdiction. 28 U.S.C. § 1295 (a)(1). The Federal Circuit's decision is a routine, straightforward application of patent law principles affirming a jury verdict that was more than amply supported by substantial evidence. The Federal Circuit's application of damages and infringement principles to the facts here is not only correct but precisely the type of decision properly committed to the Federal Circuit and not calling for intervention by this Court. Review should be denied.

The first question presented by GE rests on the premise that the Federal Circuit, in relying on the "entire market value" (price) of GE's MRI machines, approved a damages award to Fonar of all of the profits from GE's MRI machines. GE's premise, however, is false. The Federal Circuit's discussion of the "entire market value rule" was not part of the "lost profits" analysis but rather, appropriately, part of the "reasonable royalty" analysis. And--what is critical--the Federal Circuit expressly recognized in its decision that Fonar recovered only a portion of GE's profits. Pet. App. 16a. Thus, any question

about when it is appropriate to award the "whole profits" of the *infringer* as damages (*Seymour v. McCormick*, 57 U.S. (16 How.) 480, 490-91 (1853), quoted at Pet. 15) is not even remotely raised in this case. The whole profits from GE's MRI machines were not requested by Fonar, were not awarded by the jury, and were not approved as damages by the Federal Circuit. GE does not even contest the particular royalty percentage upheld by the Federal Circuit, which was fully supported by the evidence.

The second question presented by GE likewise rests on a false premise, namely, that the Federal Circuit announced a new rule of law repudiating certain "linguistic" proof requirements for the doctrine of equivalents. But there is not one word in the opinion of this case repudiating those requirements. Indeed, those very requirements were recently reaffirmed by the Federal Circuit--in an opinion by the author of the opinion in this case. *See Texas Instruments, Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1567 (Fed. Cir. 1996), *cert. denied*, 117 S. Ct. 1818 (1997) (Lourie, J.). At most, then, this question would raise issues about the application of a rule of law to the facts in this case, which this Court should not review, and which the Federal Circuit correctly resolved.

GE attempts to bolster the importance of this case with references to the decisions by this Court in *Markman v. Westview Instruments, Inc.*, 116 S. Ct. 1384 (1996), and *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 117 S. Ct. 1040 (1997). Unlike this case, however, both *Markman* and *Warner-Jenkinson* involved divided *en banc* decisions by the Federal Circuit on ground-breaking issues of patent law. Neither decision, moreover, touches GE's principal issue here--damages. And while *Warner-Jenkinson* addresses the doctrine of equivalents, it does not speak to the issue of linguistic

procedures such as "linking argument." Indeed, *Warner-Jenkinson* expressly leaves "refine[ment]" of such matters to the specialized Federal Circuit. 117 S. Ct. at 1054 & n.8. The Federal Circuit has already concluded that *Warner-Jenkinson* is not implicated in this case, since it denied rehearing in response to GE's arguments based specifically on *Warner-Jenkinson*. Pet. App. 79a.

I. THE FIRST QUESTION PRESENTED DOES NOT WARRANT REVIEW.

GE seeks review of one portion of the Federal Circuit's damages ruling on the ground that it is inconsistent with this Court's precedents and reflects an internal Federal Circuit division about the proper measure of patent damages. Pet. 9-17. This contention, however, is wrong on both counts: it rests on an indisputably incorrect characterization of what the Federal Circuit held and on GE's obvious confusion between distinct legal issues as to damages. What the Federal Circuit actually held in this case simply does not involve, or therefore violate, the principle GE tries to invoke from this Court's precedents under the prior patent damages statute. The Federal Circuit's holding is fully compatible with sound damages principles under the current (different) patent damages statute (35 U.S.C. § 284). Just as plainly, the Federal Circuit's decision in this case does not warrant review merely because a *different* damages issue provoked dissent in *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538 (Fed. Cir.) (*en banc*), *cert. denied*, 116 S. Ct. 184 (1995). Nothing about the damages ruling actually rendered by the Federal Circuit in this case raises any ground for review.

A. GE's main contention (Pet. 9-12, 15) is that the Federal Circuit has violated this Court's rulings--in various

Nineteenth Century cases, deriving ultimately from *Seymour v. McCormick*, 57 U.S. at 490-91--that the owner of an improvement patent "may recover *the whole profits*" from the infringer's sale of its whole machine only if the whole value of the machine was derived from the patented improvement. *Id.* (emphasis added); *see also Dobson v. Hartford Carpet Co.*, 114 U.S. 439, 445 (1885) (partly quoted at Pet. 10) (*either* patentee must show "that the entire value of the whole machine as a marketable article is properly and legally attributable to the patented feature" *or* patentee must "separate or apportion the defendant's profits and the patentee's damages between the patented feature and the unpatented features"). But the Federal Circuit did not violate, and could not possibly have violated, that principle in this case, because the whole profits from GE's MRI machines were not requested by Fonar, were not awarded by the jury, and were not approved as damages by the Federal Circuit. The asserted conflict with old decisions of this Court is therefore wholly illusory.

GE relies on little more than a linguistic device, playing on the imprecision of speaking of damages "calculated on" or "based on" the whole value of a machine. The precedents from this Court invoked by GE, which derive from the pre-1952 statutory focus on the infringer's profits, state only that the patentee may not recover the "whole profits" of the infringer's machine (*Seymour*, 57 U.S. at 490-91) unless the whole value is attributable to the patented technology. None of GE's authorities is remotely inconsistent with the modern methodology for determining what an infringer would have paid as a licensing fee: a reasonable percentage rate applied to the price of the device incorporating the patented technology. Neither GE's relied-on precedents nor its pervasive suggestions of gross and unprincipled excessive recovery by patentees apply

to this latter use of the price of the whole machine as a "base" for "calculat[ing]" damages under the 1952 patent statute.

B. The Federal Circuit's ruling, and the jury decision that it affirmed, comport with sound, well-established damages principles under the present patent statute. Upon a finding of infringement, patent holders are entitled to "damages adequate to compensate for the infringement, but in no event less than a reasonable royalty . . ." 35 U.S.C. § 284. Congress' overriding purpose was "affording patent owners complete compensation." *General Motors Corp. v. Devex Corp.*, 461 U.S. 648, 655 (1983). As this Court has stated: "When Congress wished to limit an element of recovery in a patent infringement action, it said so explicitly." *Id.* at 653. In *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964), this Court addressed the measurement of patent damages in these words:

> The question to be asked in determining damages is "how much had the Patent Holder and Licensee suffered by the infringement. And that question [is] primarily: had the Infringer not infringed, what would Patent Holder-Licensee have made?"

377 U.S. at 507 (plurality opinion) (quoting *Livesay Window Co. v. Livesay Indus., Inc.*, 251 F.2d 469, 471 (5th Cir. 1958)).

The Federal Circuit has established clear rules governing the measure of patent damages. A patent damages award may include both the patentee's lost profits (for sales that the patentee would have made but for infringement) and reasonable royalties (for infringer's licensing of the technology used in the

products it sold).[3] *State Indus., Inc. v. Mor-Flo Indus., Inc.*, 883 F.2d 1573, 1577 (Fed. Cir. 1989), *cert. denied*, 493 U.S. 1022 (1990). The nature and amount of damages presents a question of fact. *BIC Leisure Prods. v. Windsurfing Int'l*, 1 F.3d 1214, 1217 (Fed. Cir. 1993). Determining damages in patent infringement cases "is not an exact science, and the methodology of assessing and computing damages is committed to the sound discretion of the district court." *State Indus.*, 883 F.2d at 1576-77.

The jury in this case received uncontested instructions regarding damages. It was told to "consider whether it is appropriate to base compensation on the value of the entire apparatus normally anticipated to be sold, even though only one feature is patented," and GE did not object. C.A. App. A5448. Based upon its evaluation of the evidence, the jury awarded Fonar $27,825,000 for its lost profits resulting from 75 sales lost by Fonar as a result of GE's infringement of the '966

---

[3] GE glosses over the differences between the damages that a patent holder is entitled to for its own lost sales and those damages it is entitled to as a reasonable royalty. GE sold 600 infringing machines. Fonar maintained that it lost sales of its own machines because of GE's competing sales of infringing machines. The measure of damages for Fonar's lost sales due to GE's infringement is Fonar's (not GE's) profits. In fact, GE never disputed the amount of Fonar's lost profits per machine or Fonar's entitlement to recover that amount on each sale proven to have been lost as a result of the infringement. (GE's damages expert admitted that in head to head competition of a Fonar machine with MAO and a GE machine without MAO, Fonar would have sold 12 machines and thus been entitled to lost profits for at least those machines. C.A. App. A5267). Of the 600 infringing machines that GE sold, the jury found that only 75 of those were lost sales of Fonar for which Fonar was entitled to recover its own lost profits. GE must not be allowed to confuse the difference between Fonar's recovery of its *own* lost profits for lost sales of 75 machines and the amount of a reasonable royalty for the remaining 525 infringing machines.

patent. For the remaining 525 infringing machines manufactured by GE, the jury awarded $34,125,000 as a reasonable royalty which equates to $65,000 per machine. GE's price for those machines was approximately $1.7 million each (C.A. App. A5256) which allowed GE to realize a profit margin of approximately 25 percent (approximately $400,000). C.A. App. A5079-82. Thus, the royalty determination is equal to less than four percent of the price of the whole machine (actually *less* than the 7.25 percent royalty percentage suggested by Dr. Laurits Christiansen (Pet. App. 16a.)), and equates to less than one-sixth of GE's profit margin.

The calculation of the royalty GE would have paid to Fonar was not only reasonable in its bottom-line result but sound in its methodology. The market value (price) of a GE machine is nothing more than one of the variables in a formula that calculates damages by multiplying the price times a small percentage, which results in the "but for infringement" licensing fee. This is a sensible, long-established and uncontroversial real-world method of determining what share of revenues the infringer would have paid to enable it to sell its infringing products at the price it obtained from its customer, where the patented feature is "the basis for [that] customer demand." Pet. App. 15a (quoting *Rite-Hite Corp.*, 56 F.3d at 1549). There is no basis in law or logic for disputing the Federal Circuit's principle that the whole value may be used as a factor to determine the amount of a reasonable royalty.

The Federal Circuit's application of this principle to the facts here does not present a question worthy of review by this Court and was correct because *there was voluminous evidence that GE's sales of its MRI machines depended on the infringing feature*. The Federal Circuit held that evidence supporting a finding of customer demand based on GE's use of Fonar's

MAO technology included GE "technical literature" (Pet. App. 15a). A small mountain of such technical literature was presented a trial. C.A. App. A3850, A8195-8200, A8765-68, A8201-14, A8215-28, A8769-8801, A8233-73, A8802-9093, A9094-9131, A9132-9259, A9260-88, A8275-8324, A9289-9434, A9435-63, A8441-85, A9464-70, A9471-9523, A9524-39, A9540-57, A9558-9648, A9649-63, A8633-46, A9664, A9665-A10091. In addition, the Federal Circuit held that "Several other brochures of GE machines also identified the MAO feature." Pet. App. 15a. For example, the Federal Circuit quoted from a GE brochure entitled "Multi-Angle MR imaging" which stated that the MAO technology "is helping to enhance efficiency and patient throughput." Pet. App. 15a-16a.

GE's attempt to characterize MAO as offering a "mere marketing advantage" is an outrageous misrepresentation of the record regarding the importance of MAO. Dr. Hanafee, GE's own expert, testified that MAO was absolutely necessary if MRI was ever to compete successfully with X-ray CT. C.A. App. 3727. Another GE expert witness testified that the demand for MAO was high at the time when hypothetical negotiations would have taken place, stating that "before 1992 . . . [y]ou wanted to image as many patients per day as possible and there was actually a waiting list of patients to come in and scan if you had an extra hour or two per day." C.A. App. A5169. GE recognized that MAO specifically addressed fundamental customer needs by increasing the speed at which patients could be scanned. GE stated in one of its brochures that the increases in patient throughput could increase revenues from a single MRI machine by hundreds of thousands of dollars per year. C.A. App. A8203.

GE admitted that it needed MAO to "achieve parity" with its competitor Fonar. GE's project leader put this in a memo to

management shortly after Fonar introduced MAO at the most significant trade show held each year for the radiology profession. C.A. App. A4557-59. GE was forced to abandon its only scanner without the feature, and as of the time Fonar sued, GE only sold MRI machines with MAO. C.A. App. 9465-66. In addition, MAO was not an option. Because of its importance, it was a standard feature on GE's machines. As of approximately 1992, GE only sold MRI machines with MAO because it had no other choice.[4]

Thus, MAO was not a mere marketing improvement but rather a significant technological advance that GE had to have to sell its machines. Accordingly, the Federal Circuit affirmed a straightforward and uncontroversial application of the entire market value rule based on voluminous evidence that MAO was a very significant factor driving customer demand for GE's machines. The jury properly used the price of GE's MRI machines as the base in determining Fonar's royalty.

C. Aside from mischaracterizing the Federal Circuit's damages ruling here to argue inconsistency with this Court's precedents, GE argues for review of its first question by citing the Federal Circuit's division regarding a particular, discrete application of the "entire market value" rule in *Rite-Hite*, but that particular issue was not even arguably present in

---

[4] GE claims "The rule does not apply 'where the article has commercial value independent of the patented feature' which can be established by showing that 'the defendant sold substantially the same article, minus the patented feature, at a discount.'" Pet. 11. GE never established this factual premise at trial because it could not. GE had to abandon its low-cost entry-level MRI machine that did not have the MAO feature. C.A. App. 5191, A9465-66. During no part of the damages period in this case did GE offer a machine without MAO because it could not do so. GE had to have MAO to be competitive with Fonar. C.A. App. A4558-59.

this case. Pet. 12-14. The issue that prompted the partial dissent by Judge Nies in *Rite-Hite* was whether the plaintiff's lost profits or a reasonable royalty could be awarded for the defendant's sales of "unprotected goods," *i.e.*, products that were physically distinct from the defendant's infringing product. 56 F.3d at 1576 (Nies, J., dissenting in part); *id.* at 1556 (disagreeing over recovery for "the infringer's competition with the patentee's business in . . . products not incorporating the invention of the patent in suit"). In this case, the products included in the base for calculating the royalty were only the infringing products themselves. (Judge Nies, in fact, *concurred* in the result of the application of the entire market value rule to infringing products in *Rite-Hite*. *Id.* at 1557). Accordingly, this case does not present this Court with yet another occasion to grant certiorari on the *Rite-Hite* issue of extending damages to different products.[5] Similarly, this case involves none of the applications of the entire market value rule criticized by various commentators GE cites. Pet. 13.

Finally, despite GE's complaints, review cannot be justified by reference to the size of damages awards generally or the award in this case. The Federal Circuit has been attentive to the task of setting reasonable limits on damages awards, explaining in *Rite-Hite* itself that "[n]otwithstanding the broad language of § 284, judicial relief cannot redress every conceivable harm that can be traced to an alleged wrongdoing." 56 F.3d at 1546. Even the total amount awarded in this case,

---

[5] This Court denied certiorari in *Rite-Hite* itself--reflecting the special commitment of most patent law issues to the specialized Federal Circuit, which has regularly conducted *en banc* proceedings to resolve important questions, and which sought in *Rite-Hite* to strike a "balance between full compensation . . . and the reasonable limits of liability" for patent infringement. 56 F.3d at 1546.

much less the royalty portion that is actually challenged by GE, is not itself a basis for certiorari. *See Commissioner v. Texaco*, 117 S. Ct. 1467 (1997) (denying United States's petition in case involving more than $1 billion). [6]

II. THE SECOND QUESTION PRESENTED DOES NOT WARRANT REVIEW

In its second issue for review, GE contends that the Federal Circuit erroneously failed to require Fonar to follow certain modes of proof and argument at trial in presenting its case that GE infringed the '832 patent under the doctrine of equivalents. Pet. 17-20.[7] Specifically, GE asserts that the Federal Circuit has abandoned any requirement of "particularized testimony and linking argument." Pet. 18. Once again, however, GE's characterization of the Federal Circuit's decision is wrong. Nothing in the opinion repudiates or even suggests repudiation of such a requirement, either as a general matter or as applied in this case. Indeed, Judge Lourie of the Federal Circuit had only recently reaffirmed the requirement

---

[6] GE's attempt to characterize the damage award in this case as another example of the "unprecedented growth in patent damages awards" is disingenuous. The size of the award was due to GE's activities. Each of the 600 machines at issue was sold by GE after Fonar filed suit. If, as GE maintained, the MAO technology was unimportant, it could have limited its exposure by simply removing the MAO feature from its machines. GE chose not to do so (and could not at the time because of competitive considerations) knowing full well the risk if it were found liable for infringement.

[7] GE's second question applies only to the '832 patent, not the '966 patent.

(*see Texas Instruments*, 90 F.3d at 1567), just before he wrote the opinion in this case.[8]

GE's effort to obtain review by riding in the tail wind of *Warner-Jenkinson* should be rejected. *Warner-Jenkinson* does not impose any requirement of "particularized testimony and linking argument." Indeed, GE's petition comes only months after this Court explicitly announced that it would leave to the expertise of the Federal Circuit the tasks of "refin[ing]" the application of the doctrine of equivalents and developing "procedural improvements" to ensure its proper application. *Warner-Jenkinson*, 117 S. Ct at 1054 & n.8. The Federal Circuit in this case had the benefit of this Court's decision in *Warner-Jenkinson* when it considered, and denied, GE's request for rehearing. Thus, there is no ruling on equivalent infringement here that is inconsistent with *Warner-Jenkinson* that calls for review (or reconsideration in light of *Warner-Jenkinson*).[9]

---

[8] In addition to not being inconsistent with the precedent of this Court, GE's argument is not properly before the Court because GE has waived any argument regarding the sufficiency of the doctrine of equivalents presentation. GE failed to object to the jury being instructed on that theory. GE also failed to move, after trial, to take the specific issue of equivalent infringement from the jury. GE has waived this argument and may not raise this issue on appeal. *See Hoechst Celanese Corp. v. BP Chems. Ltd.*, 78 F.3d 1575, 1581-82 (Fed. Cir.), *cert. denied*, 117 S. Ct. 275 (1996).

[9] In the "Statement" portion of the Petition, GE refers to the *Johnson & Johnson* litigation involving one of Fonar's patents (Pet. 7), but it does not rest any argument on that basis in the "Reasons for Granting" portion of the Petition. There is no inconsistency of claim construction between the cases. GE long ago abandoned its collateral-estoppel argument, and it is precisely because of the differences between GE's conduct and Johnson & Johnson's conduct that GE infringes whereas Johnson & Johnson did not.

The Federal Circuit, having considered the proof of equivalents with the *Texas Instruments* principle in mind,[10] and having considered GE's argument based on *Warner-Jenkinson*, properly concluded that the jury was adequately channeled in its finding of equivalents--including jury instructions that were uncontested by GE. Thus, notwithstanding GE's historical revisionism, the equivalents issue was front and center at every stage of the trial, from the trial court's opening remarks, to the testimonial and documentary evidence, to the lawyer's closing arguments, and to the court's final charge to the jury.

At the opening of trial, even before Fonar called its first witness, the trial court gave the jury a road map to help it analyze the issues and testimony. *GE stipulated to this preliminary statement* by the trial court. Significantly, the trial court's preliminary roadmap included a discussion of infringement under the doctrine of equivalents, thus focusing the jury's attention on that issue from the opening moment:

> The Doctrine of Equivalents prevents an infringer from using the essence or heart of a patented invention by simply avoiding the literal words of a claim.
>
> If you find that the accused product does not literally infringe any of the patent claims, you may still find infringement under the Doctrine of Equivalents.

---

[10] GE called *Texas Instruments* to the panel's attention in a letter after the briefs were filed. At oral argument, Judge Lourie questioned counsel on whether plaintiffs had provided sufficiently particularized evidence and argument on the issue of infringement by equivalents.

C.A. App. A3049 (the trial court's complete preliminary description of the doctrine of equivalents is found at C.A. App. A3049-50).

At trial, Dr. Damadian gave lengthy testimony directed specifically to the question of infringement under the doctrine of equivalents. For example, Dr. Damadian testified that GE's machines engage in the equivalent of step (c) of claim 1 of the '832 patent by "[i]ndirect numerical measurement" (C.A. App. A3234) and that use of these indirect numerical measurements allows GE to "convert numerical measurements of T1 [and] T2 into brightness." C.A. App. A3238. MRI images were shown at trial where each pixel had its numerical grey-scale value printed on top of it so the jury could see the *equivalence* between the numerical measurements and pixel brightness. C.A. App. A3188-90. Thus, Dr. Damadian demonstrated that the "brightness" of a single pixel is the result of the comparison in step (c). Dr. Damadian further testified that GE's visualization of the internal numerical comparison is "a computer-generated picture, generated from these signals." C.A. App. A3138.

The equivalence of comparative measurement was supported in further demonstrations by Dr. Damadian. First, Dr. Damadian used a tuning fork to demonstrate "one type of comparative measurement" illustrating GE's comparison of T1 to detect cancer. C.A. App. A3235-36. A tuning fork is not a literal numerical measurement of whether the key struck on the piano is at a frequency of 440 cycles per second. Rather, it is an *equivalent* comparative measurement of the frequency. Dr. Damadian also used a urine dip stick to demonstrate equivalence of comparative measurement. C.A. App. A3236-37. The dip stick does not literally measure the sugar in the urine. The dip stick never makes a numerical comparison, but the pre-set calibration allows the dip stick to equivalently measure the

level of sugar by comparison. These demonstrations and testimony directed the jury's attention to the insubstantial differences between comparisons of direct numerical measurements as opposed to comparisons made by indirect numerical measurements utilizing pre-calibrated internal standards.[11]

In their closing arguments to the jury, counsel for both GE and Fonar characterized Dr. Damadian's testimony in terms of equivalents. GE's counsel noted: "Dr. Damadian says we use certain TEs and TRs. Somehow he's now *equating* those with T1s and T2s . . ." C.A. App. A4927 (emphasis added). Fonar's counsel argued:

> There was some discussion as to whether these formulas, Dr. Damadian talked about these signal intensity formulas and whether they appeared in his patent.
>
> And Dr. Damadian explained how in fact in an *equivalent way* those formulas appeared in his patent and he explained where the T1 formula was in his patent and where the T2 formula was in his patent.

C.A. App. A4857 (emphasis added).

---

[11] This testimony--illustrated to the jury with graphics at trial--shows that GE is plainly wrong in claiming that Fonar somehow shifted its equivalents argument on appeal. Pet. 8. Fonar has consistently argued--and Dr. Damadian specifically testified--that the machine *and not the doctor* performs step (c) as described in the patent. C.A. App. A3238-39; Fonar Br. At 47-49; Fonar Reply Br. at 20-24. Thus, the need for clarity in presentation of doctrine of equivalents cases is not implicated by Fonar's presentation of evidence either at trial or on appeal.

Finally, the trial court properly gave a thorough and appropriate jury instruction--spanning some three pages of the transcript--on the issue of equivalent infringement which was not contested by GE:

> In those cases in which each and every step or element in the defendant's product does not come within the literal words of the claim, infringement of the patent may still be found if the defendant's product differs from the claim only because of steps or elements that perform substantially the same function in substantially the same way to produce substantially the same results as the steps or elements of the invention set forth in the claims.

C.A. App. A4965. The trial court's entire doctrine of equivalents charge is at C.A. App. A4965-67.

Thus, the jury in this case was not "put to sea without guiding charts," but rather, was properly instructed by the court on the doctrine of equivalents twice--at the beginning of the case and at the end of the case--and presented with detailed argument and testimony throughout the case from the opening statements to the closing arguments.

CONCLUSION

For the foregoing reasons, the writ of certiorari should be denied.

Respectfully submitted,

RONALD J. SCHUTZ *
MARTIN R. LUECK
HOWARD R. ORENSTEIN
DARREN B. SCHWIEBERT
KEN R. HALL

ROBINS, KAPLAN, MILLER
& CIRESI L.L.P.
2800 LaSalle Plaza
800 LaSalle Avenue
Minneapolis, MN 55402-2015
(612) 349-8500

ATTORNEYS FOR RESPONDENT FONAR CORPORATION AND DR. RAYMOND V. DAMADIAN

August 28, 1997

* Counsel of Record